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Colombia

Grain and Feed

Annual

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Report Highlights:

Colombia imported a record 2.8 million tons of U.S. corn in 2005/2006, and is likely to increase imports further as the poultry industry and the overall economy grow in spite of high international prices. Colombia and the United States signed the Colombian Trade Promotion Agreement (CTPA) in November 2006, which will eliminate the Price Band System, and pave the way for increased trade. The CTPA is pending congressional approval in both countries. The Colombian government secured funding to support the agricultural sector through a subsidy program called Agriculture Secure Income (ASI).

Includes PSD Changes: Yes
Includes Trade Matrix: No
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Executive Summary

In 2005/2006, Colombia increased total corn imports significantly, of which, U.S. corn exports rose to a record 2.8 million tons in spite of higher corn prices. U.S. corn exports to Colombia accounted for 91 percent of the market in 2005/2006 and increased 40 percent in volume overall from the previous year. Colombian corn imports are expected to continue rising, although at a slower pace, this year. Colombian wheat imports are expected to increase 3 percent in 2006/2007. The prohibitively high import duty on rice, 80%, will continue to limit rice imports from outside of the Andean Community.

Colombia's corn requirements widely surpass local production due to dynamic poultry, swine and fish production. Sustained economic growth will help maintain strong consumption needs for feed grains, which will benefit corn imports. Wheat is another commodity where Colombia faces a structural lack of competitiveness.

The Colombian government is committed to supporting agriculture, and launched an agricultural support program called "Agriculture Secure Income" (AIS). Under this program the government proposes to utilize approximately \$210 million annually to support agriculture production for selected commodities to cope with expected increased competition as the result of the Colombian Trade Promotion Agreement (CTPA) with the United States.

The CTPA provides for a tariff-rate-quota (TRQ) of 2.1 million tons for yellow corn, 136,500 tons for white corn, and 79,000 tons for rice to enter from the United States duty free. Wheat imports from the United States will receive immediate duty reduction to zero upon implementation the CTPA. Currently, the CTPA is pending congressional approval in both countries.

Production

Colombian **Corn** production is expected to decrease by 10,000 tons in 2006/2007 compared to 2006/2006, and recover the following year to reach 1.26 million tons. Areas of production that depend on rainfall, have been dry, which has resulted in expectations of lower corn yields, and has delayed plantings in some areas. Although international corn prices are high, the appreciation of the peso against the U.S. dollar and the high cost of production of locally produced corn, makes it uncompetitive without government support and protection. Support from the government to stimulate mechanized corn production, investment in land irrigation, and the introduction of GMO seeds all together are expected to improve production in the near future. The GOC established the "Agriculture Secure Income" (ASI) program to support producers that would be affected with the implementation of the Colombian and United States Free trade agreement (CTPA)(see policy below).

Wheat production yields have been affected by the dry weather also, lowering total production by 3,000 tons in 2006/2007. There is no particular incentive for growers to increase wheat production, other than the industry commitment of purchasing the local wheat production at market price. Colombia, under the free trade agreement signed with the United States (CTPA), will eliminate immediately the duty on U.S. wheat imports.

Colombia's **Rice** production fell in 2006 by 84,000 tons due to a reduction in area planted in the second half of 2005. Prices rebounded in late 2006 and stimulated rice plantings. A commitment from the government to continue agricultural supports (see policy below) and high import duties on rice from countries outside the Andean Community will reinforce increased plantings of rice. Colombia is expected to increase its rice production by 114,000 tons, paddy basis, to 2.2 million tons in 2007.

Consumption

The strong growth of the poultry sector and the economic recovery has triggered grain consumption and largely explains the sharp increase in **corn** consumption. In 2006/2007, it is expected that corn consumption will increase by 300,000 tons. Although still low, when compared with international averages, Colombian egg and poultry meat per-capita consumption is increasing based on the country's continued improving economic performance.

Colombia's per-capita milled **rice** consumption is estimated at 40 kilograms per year according to official government numbers. Consumption has steadily increased over the past several years, but at a very slow rate. Colombia applies an 80% duty on rice imports coming from non-Andean Community countries, which supports domestic prices and limits increases in consumption.

The **wheat** industry continues to develop value added wheat products such as pastas, incorporating new technologies to reduce costs and increase productivity. This focus has reduced pasta prices for lower income consumers resulting in increased wheat demand. The industry has also been introducing quality differentiation in pasta for other population segments with increased use of high-quality wheat. Per-capita consumption within the different wheat products is growing but remains very low. For 2006, industry calculation shows the following per-capita figures: wheat 31.4 kg, bread 21.8 kg, cookies 3.1 kg, and pasta 3.6 kg.

Trade

Total **corn** imports increased sharply in 2005/2006 reaching 3.1 million tons, up 895,000 tons from a year before. Corn imports represented 75 percent of total corn needs. Imports of U.S. corn reached 2.8 million tons, representing 90 percent of total imports. In 2006, the price band variable import duty of the Andean Community was zero because of high international corn prices. Yellow corn has had zero import duty since November 2006. White corn imports have paid 45 percent duty for imports over the tariff-rate quota since December 2004. Imports of U.S. white corn represented 87 percent of total white corn imports in 2005/2006.

Colombia depends heavily on **wheat** imports, and in 2005/2006, wheat imports accounted for 98 percent of total Colombia's wheat demand. Total Colombian wheat imports reached 1.3 million tons, and imports from the United States accounted for 50 percent of the total. Canada and Argentina followed with 27 and 22 percent market share respectively.

The import duty on **rice** of 80 percent makes rice imports from non-Andean Community countries virtually impossible. Imports from Ecuador and Venezuela enter duty free. Imports from the United States only accounted for 2,600 tons in 2006, which covered some specialty quality demand.

Stocks

Colombian government supports rice storage that is used whenever the seasonal rice production does not meet demand, which usually happens during the second half of the year.

Last year, high rice prices forced the industry to purchase all Colombian rice harvested, eliminating the need for government storage. The amount of rice kept by millers for working inventory reached 81,000 tons at the end of 2006.

Corn for food processing is expected to reach 449,000 tons by the end of 2006/2007. High corn prices and strong consumption are signals of tight supplies that will lead industry to store more corn.

Wheat stocks are likely to remain at 118,000 tons, which covers approximately one-months worth of consumption.

Policy

To support local agriculture, the Ministry of Agriculture launched a support program "Agriculture Secure Income" (ASI) to provide Colombian agriculture subsidies to promote local production and to enhance competitiveness. In 2007, the GOC budgeted \$172 million to be allocated among agriculture producers, from which grain producers will receive the following assistance: Corn producers \$30.2 Mil. rice producers \$16.3 Mil., wheat producers \$1.03 Mil., and sorghum producers \$3.7 Mil. The growers will receive these amounts through different programs such as credits at low interest rate.

The GOC established a tariff-rate quota of 2.1 million tons for yellow corn and 50,000 tons for white corn to be auctioned between December 2006 and November 2007. For the second consecutive year, the GOC did not establish a TRQ for rice imports. The tariff-rate quota is allocated via a public auction that operates through the National Agricultural Commodity Exchange (Bolsa Nacional Agropecuaria-BNA). Imports under the tariff-rate quota pay a reduced duty (a discount from the Andean Price Band duty) as an incentive to purchase local production. Thus, companies that receive an import quota have to buy local production (on the spot market or future contracts) certified by the National Agricultural Commodity Exchange.

The growers have also a program to participate in an option's mechanism to hedge exchange rate and price fluctuations at the National Agrarian commodity exchange. The government will pay 90 percent of the hedging cost for growers and buyers to encourage the use of this new program.

Additionally, the GOC extended implementation of the import duty of 45 percent on white corn until January 15, 2008. Rice imports from non-Andean Community countries will continue to pay an 80% duty. The price band system duties for white corn and milled rice are 0 percent and 5 percent respectively. (The price band duty can be found at: http://www.comunidadandina.org/comercio/franja_circular.htm).

Andean Community - Mercosur Agreement

Andean Community countries (Colombia, Ecuador and Venezuela) and Mercosur members signed an Economic Supplemental Agreement in October 2004. This agreement includes a free trade program that Colombia put in place in February 2005. The trade liberalization program states grains have the following basic features:

Corn: A fifteen-year phase out period to bring the basic corn duty of 15 percent down to zero (the variable component of the price band will continue to be applied). In 2007, Colombia granted Argentina and Brazil a preferential duty, such that Argentina and Brazil will pay only 37 % of the 15% basic rate and Paraguay and Uruguay 27% on the 15% basic duty. The variable duty of the Andean Community will remain applicable. Under this agreement, corn imports from Argentina will pay 5.6 percentage points less in duties than imports from the U.S. and other countries during 2007 year.

Rice: Colombia will phase out the base duty rate of 15 percent for paddy rice and 20 percent for milled rice over 15 years, while maintaining the variable component of the price band

duty. For 2007, Colombia granted Mercosur countries a 27 percent preference on the basic duty of 15% for paddy and 20% for milled rice.

Wheat: Wheat and products containing wheat will be taken out of the price band system immediately and are not subject to the special agricultural safeguard. Colombia will phase out over a 6-year period (by 2009) the duty of 15 percent. For 2007, Colombia granted a duty preference (reduction) to Argentina, Brazil, Paraguay and 70 Uruguay, such they pay a fraction of the implied tariff rate.

Colombian Trade Promotion Act (CTPA)

Colombia and the United States signed a free trade agreement in November last year. Under this agreement the price band duty system will be removed for imports from the United States. Additional conditions for grain imports were negotiated as follows:

Corn: the CTPA establishes a tariff-rate quota of 2.1 million tons for yellow corn, and 136,500 ton tariff-rate quota for white corn, of which both quotas will increase 5% annually. The yellow corn import duty was set at 25% and the white corn import duty was set at 20%, of which both will be phased-out over 12 years.

Wheat: Imports from the United States will pay zero duty upon the implementation of the trade agreement.

Rice: A tariff-rate quota of 79,000 tons that increases 4.5% yearly. The duty was established at 80%, and the phase out period is 19 years with a 6-year grace period.

Tables

Colombia wheat PSD, 2005/06 – 2007/08 (July-June)

(1,000 Hectares and 1,000 Tons.)

Colombia										
Wheat										
	2005	Revised		2006	Estimate		2007	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		07/2005	07/2005		07/2006	07/2006		07/2007	07/2007	MM/YYYY
Area Harvested	15	15	15	15	15	15	0	0	15	(1000 HA)
Beginning Stocks	122	122	122	118	125	118	121	133	118	(1000 MT)
Production	33	33	33	33	33	30	0	0	33	(1000 MT)
MY Imports	1314	1330	1314	1350	1340	1350	0	0	1370	(1000 MT)
TY Imports	1314	1330	1314	1350	1340	1350	0	0	1370	(1000 MT)
TY Imp. from U.S.	634	810	657	0	815	650	0	0	670	(1000 MT)
Total Supply	1469	1485	1469	1501	1498	1498	121	133	1521	(1000 MT)
MY Exports	11	5	11	10	5	10	0	0	11	(1000 MT)
TY Exports	11	5	11	10	5	10	0	0	11	(1000 MT)
Feed Consumption	20	15	20	20	15	20	0	0	20	(1000 MT)
FSI Consumption	1320	1340	1320	1350	1345	1350	0	0	1380	(1000 MT)
Total Consumption	1340	1355	1340	1370	1360	1370	0	0	1400	(1000 MT)
Ending Stocks	118	125	118	121	133	118	0	0	110	(1000 MT)
Total Distribution	1469	1485	1469	1501	1498	1498	0	0	1521	(1000 MT)
Yield	2.2	2.2	2.2	2.2	2.2	2	0	0	2.2	(MT/HA)

Colombia: Wheat Imports 2005/06 (July-June)

Colombia			
Wheat			
Time Period	July/June	Units:	MT
Imports for:	2005		2006
U.S.	657,335	U.S.	
Others		Others	
Canada	343,757		
Argentina	311,966		
Total for Others	655,723		0
Others not Listed	809		
Grand Total	1,313,867		0

Colombia: Wheat Prices to Grower, 2005 – 2006

(1,000 pesos per Ton)

Colombia			
Wheat			
Prices in	(,000)Col pesos	per uom	Ton
Year	2005	2006	% Change
Jan	560	560	0%
Feb	560	560	0%
Mar	560	560	0%
Apr	560	560	0%
May	560	560	0%
Jun	560	560	0%
Jul	560	590	5%
Aug	560	590	5%
Sep	560	590	5%
Oct	560	590	5%
Nov	560	590	5%
Dec	560	590	5%
Exchange Rate	2,224.12	Local Currency/US \$	
Date of Quote	2/28/2007	MM/DD/YYYY	

Colombia: Corn PSD, 2005/06 to 2007/08 (October-September)

(1,000 Hectares and 1,000 Tons)

Colombia										
Corn										
	2005	Revised		2006	Estimate		2007	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		10/2005	10/2005		10/2006	10/2006		10/2007	10/2007	MM/YYYY
Area Harvested	555	555	555	545	545	545	0	0	555	(1000 HA)
Beginning Stocks	248	329	248	429	289	429	449	319	449	(1000 MT)
Production	1230	1230	1230	1220	1220	1220	0	0	1260	(1000 MT)
MY Imports	3151	2310	3151	3300	2450	3300	0	0	3400	(1000 MT)
TY Imports	3151	2310	3151	3300	2450	3300	0	0	3400	(1000 MT)
TY Imp. from U.S.	2882	2050	2882	0	2150	2900	0	0	2950	(1000 MT)
Total Supply	4629	3869	4629	4949	3959	4949	449	319	5109	(1000 MT)
MY Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
TY Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
Feed Consumption	3100	2600	3100	3400	2760	3400	0	0	3580	(1000 MT)
FSI Consumption	1100	980	1100	1100	880	1100	0	0	1100	(1000 MT)
Total Consumption	4200	3580	4200	4500	3640	4500	0	0	4680	(1000 MT)
Ending Stocks	429	289	429	449	319	449	0	0	429	(1000 MT)
Total Distribution	4629	3869	4629	4949	3959	4949	0	0	5109	(1000 MT)
Yield	2.216216	2.216216	2.216216	2.238532	2.238532	2.238532	0	0	2.27027	(MT/HA)

Colombia: Corn Imports, 2005/06 (October-September)

Colombia			
Corn			
Time Period	Oct/Sep	Units:	(,000)MT
Imports for:	2005		2006
U.S.	2,822	U.S.	
Others		Others	
Argentina	214		
Ecuador	46		
Canada	4		
Total for Others	264		0
Others not Listed	65		
Grand Total	3,151		0

Colombia: Corn Prices to Grower, 2005-2006

(1,000 pesos per Ton)

Colombia			
Corn			
Prices in	(,000)Col pesos	per uom	Ton.
Year	2005	2006	% Change
Jan	478.3	491.7	3%
Feb	539.2	488.8	-9%
Mar	491.9	490.1	0%
Apr	459.7	512.9	12%
May	500.6	499.6	0%
Jun	500.7	516.1	3%
Jul	501.0	548.0	9%
Aug	483.5	540.5	12%
Sep	477.6	515.4	8%
Oct	470.6	552.2	17%
Nov	473.2	571.7	21%
Dec	505.7	609.7	21%
Exchange Rate	2,224.12	Local Currency/US \$	
Date of Quote	2/28/2007	MM/DD/YYYY	

Colombia: Milled Rice PSD, 2005 to 2007

(1,000 Hectares and 1,000 Tons)

Colombia										
Rice, Milled										
	2005	Revised		2006	Estimate		2007	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		01/2005	01/2005		01/2006	01/2006		01/2007	01/2007	MM/YYYY
Area Harvested	450	450	450	440	440	435	0	0	455	(1000 HA)
Beginning Stocks	156	184	156	93	167	93	23	142	81	(1000 MT)
Milled Production	1300	1300	1300	1290	1290	1250	0	0	1320	(1000 MT)
Rough Production	2167	2167	2167	2150	2150	2083	0	0	2200	(1000 MT)
Milling Rate (.9999)	6000	6000	6000	6000	6000	6000	0	0	6000	(1000 MT)
MY Imports	92	133	92	100	140	198	0	0	160	(1000 MT)
TY Imports	100	133	100	100	140	198	0	0	160	(1000 MT)
TY Imp. from U.S.	0	4	0	0	5	3	0	0	4	(1000 MT)
Total Supply	1548	1617	1548	1483	1597	1541	23	142	1561	(1000 MT)
MY Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
TY Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Consumption	1455	1450	1455	1460	1455	1460	0	0	1470	(1000 MT)
Ending Stocks	93	167	93	23	142	81	0	0	91	(1000 MT)
Total Distribution	1548	1617	1548	1483	1597	1541	0	0	1561	(1000 MT)
Yield (Rough)	4.815556	4.815556	4.815556	4.886364	4.886364	4.788506	0	0	4.835165	(MT/HA)

Colombia: Rice Price to Millers, 2005-2006

(1,000 pesos per Ton)

Colombia			
Rice, Milled			
Prices in	(,000) Col pesos	per uom	Ton
Year	2005	2006	% Change
Jan	1,110.5	1,100.5	-1%
Feb	1,118.3	1,088.8	-3%
Mar	1,118.8	1,103.3	-1%
Apr	1,120.4	1,150.2	3%
May	1,120.9	1,174.8	5%
Jun	1,102.1	1,210.4	10%
Jul	1,104.1	1,221.7	11%
Aug	1,102.3	1,206.2	9%
Sep	1,085.7	1,220.9	12%
Oct	1,101.1	1,243.9	13%
Nov	1,105.1	1,245.7	13%
Dec	1,112.9	1,206.3	8%
Exchange Rate	2,224.12	Local Currency/US \$	
Date of Quote	2/28/2007	MM/DD/YYYY	